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Economic Overview Implications for the Work Truck Industry

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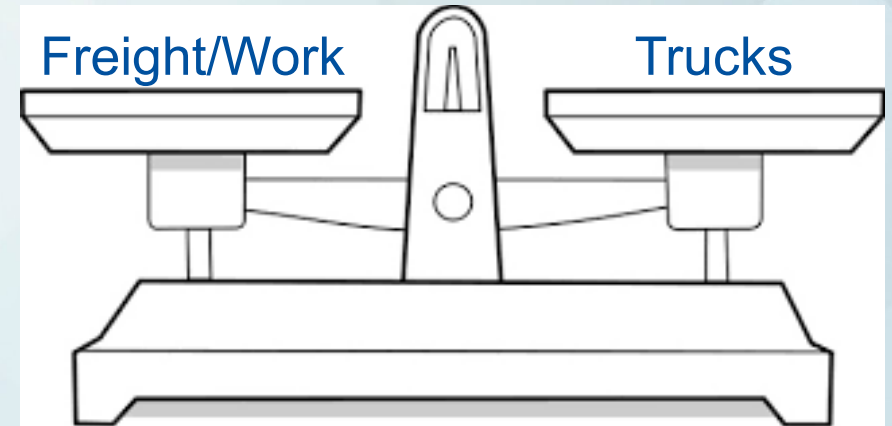


Overview

- Forecasting 101
- Supply
 - Fleet Demographics
- Demand
 - Economic Activity
 - Freight
- Current MD/HD Chassis Market Indicator Data
- Regulations
- Forecasts

Forecasting Truck Demand

- Replacement (75%)
- The Other 25%
 - Economic Activity
 - Business Profitability
 - Exogenous Variables/Regulation
 - Fleet Demographics
 - Used Truck Values



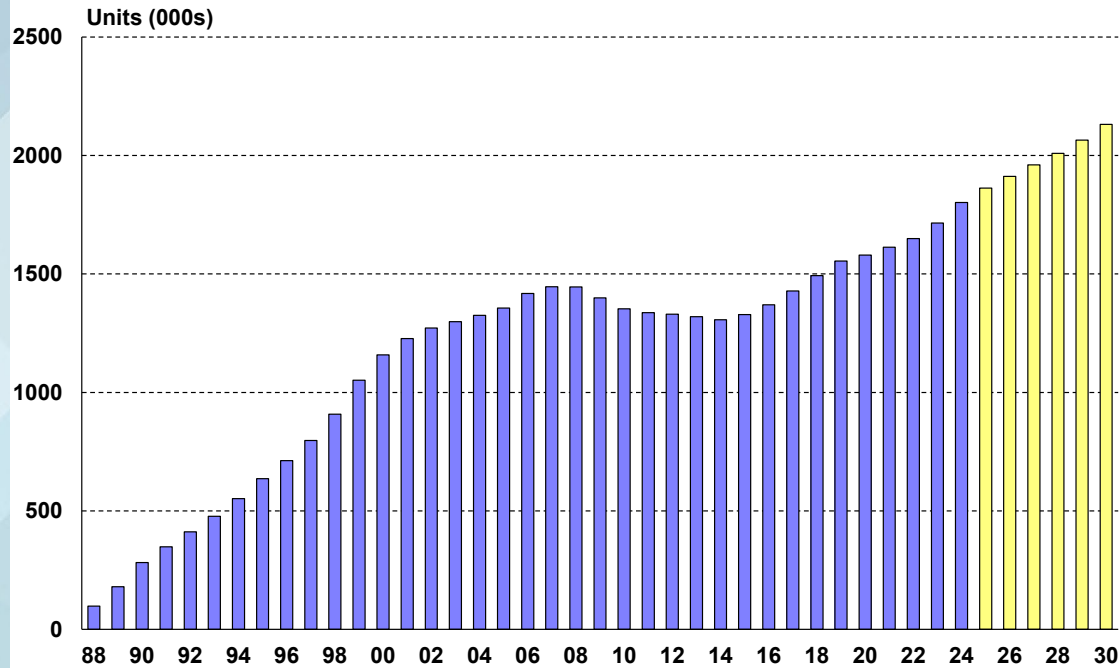
Just So We Are Clear...



Economic Growth & More Consumers Require More Trucks

U.S. Classes 5-7 Truck Active Population

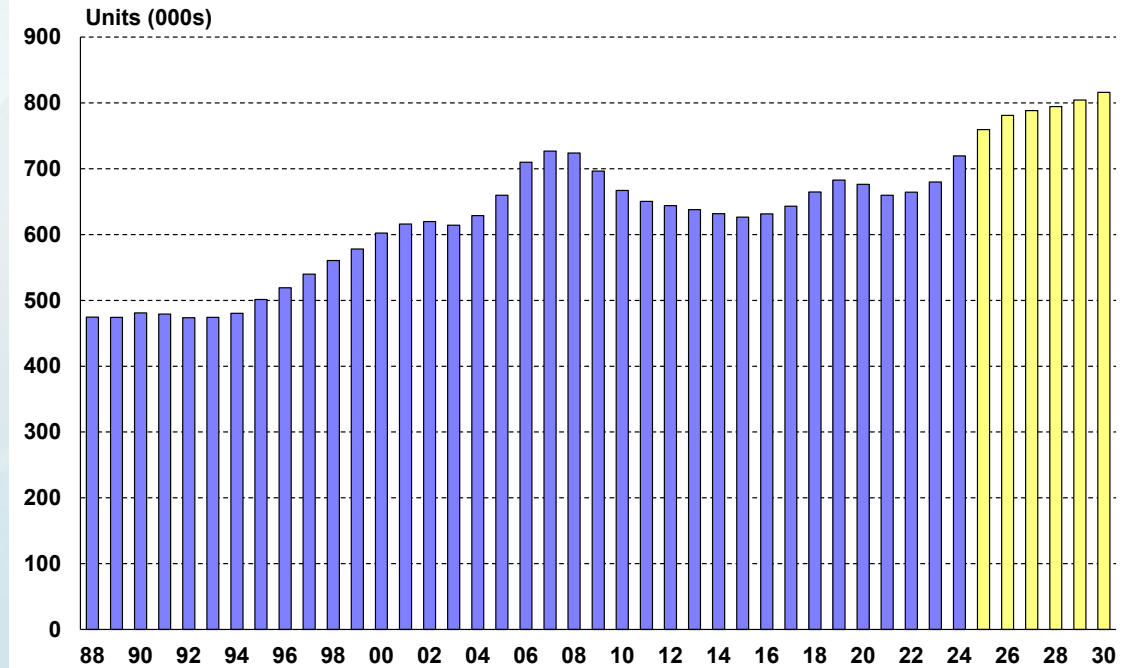
1988 - 2030



Source: ACT Research Co., LLC: Copyright 2025

U.S. Class 8 Truck Active Population

1988 - 2030

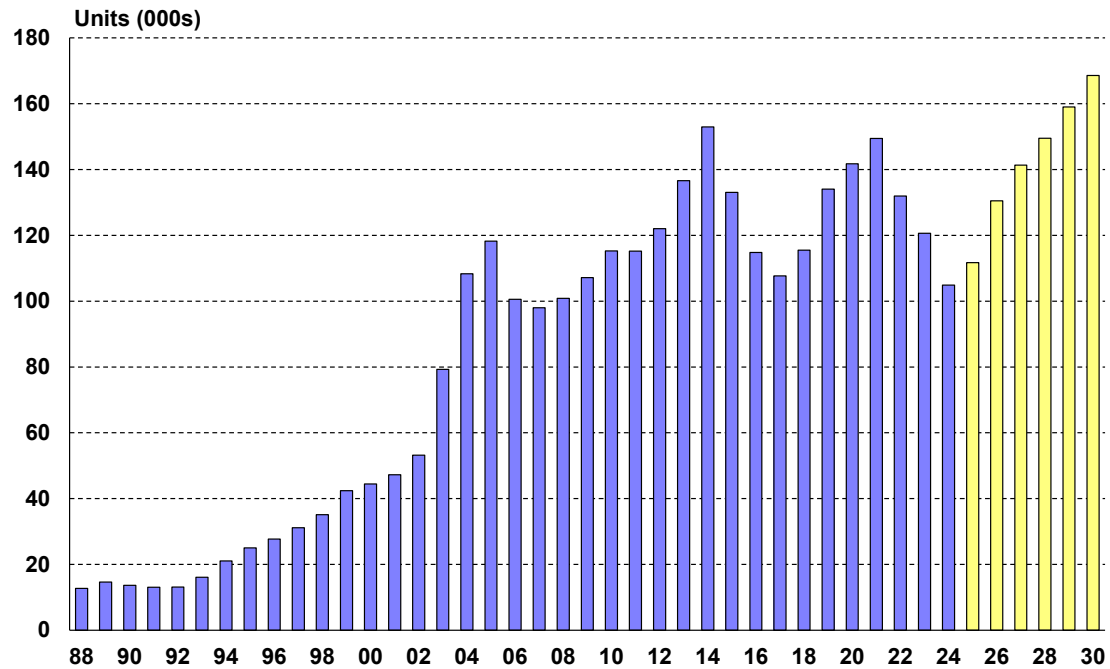


Source: ACT Research Co., LLC: Copyright 2025

Replacement Drives Forecast

U.S. Classes 5-7 Truck Replacement

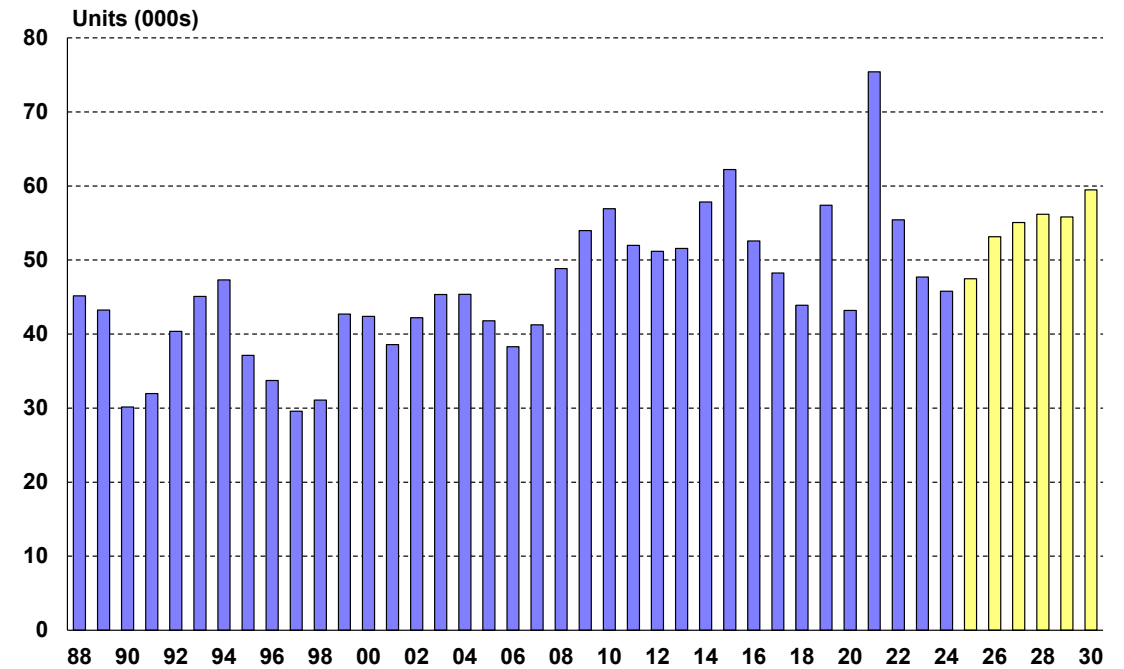
1988 - 2030



Source: ACT Research Co., LLC: Copyright 2025

U.S. Class 8 Truck Replacement

1988 - 2030



Source: ACT Research Co., LLC: Copyright 2025

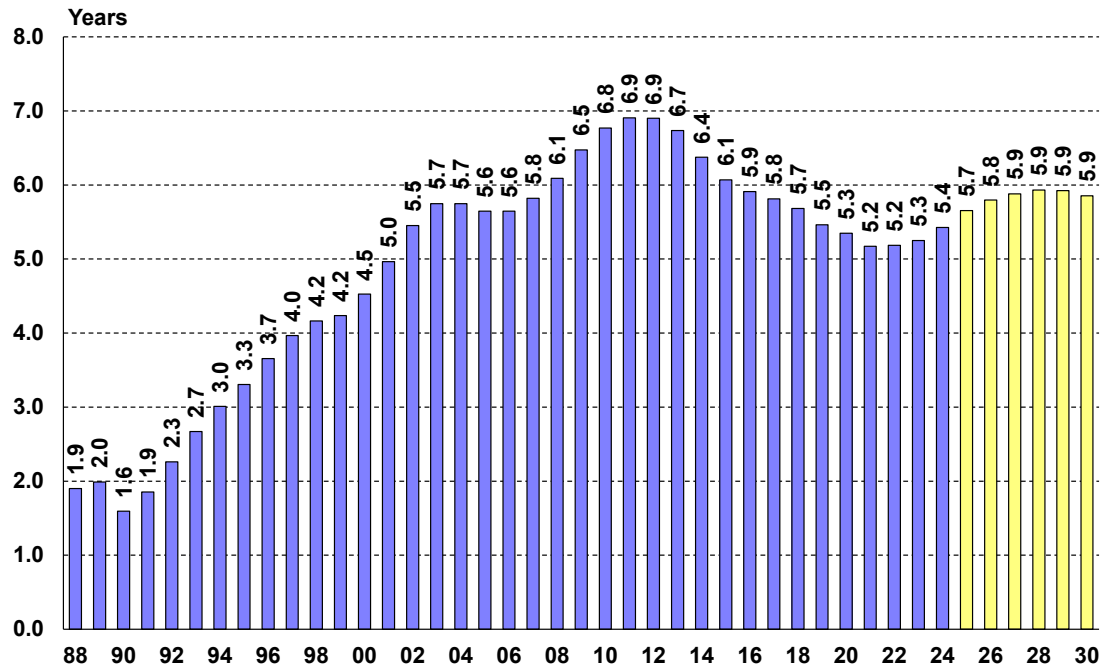
Tow Truck Tows Tow Truck Towing Truck



Fleet To Age In the Context of Current Forecast

U.S. Classes 5-7 Truck Average Age

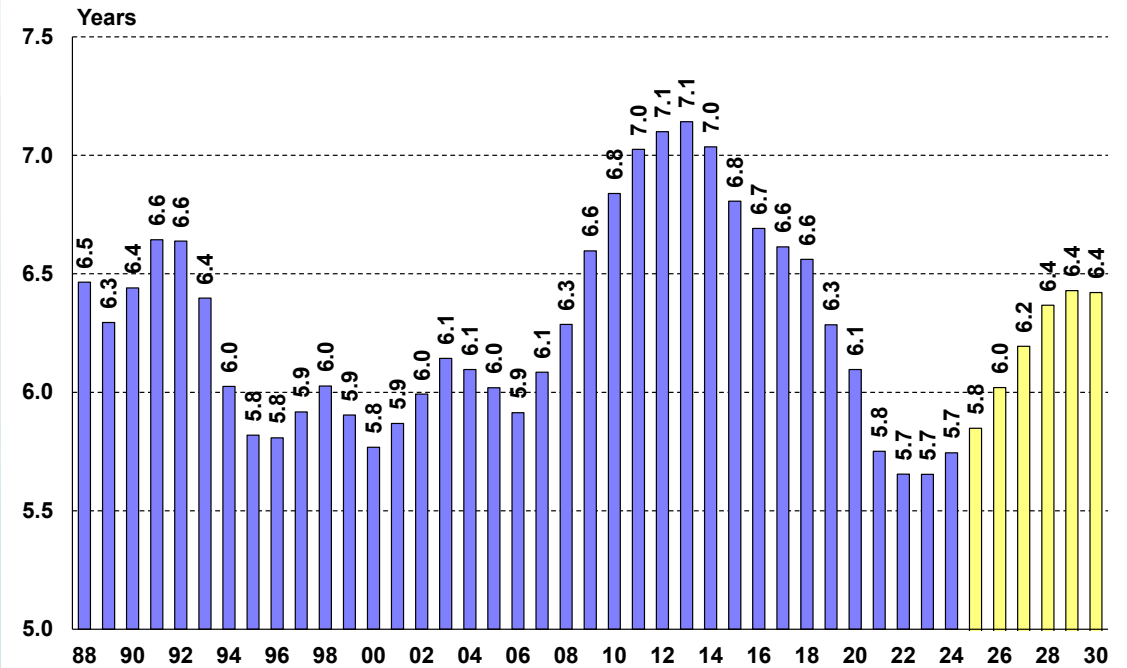
1988 - 2030



Source: ACT Research Co., LLC: Copyright 2025

U.S. Class 8 Truck Average Age

1988 - 2029



Source: ACT Research Co., LLC: Copyright 2025

Challenges & Opportunities

Bad News

- **Tariffs on friends & foes, on & off**
 - Steel, alum, copper, auto & parts in place
 - Freight pull-forward suggests **payback inbound**
 - Confidence undermined
 - Impacting growth globally
 - Bond markets worried re Fed independence
- **Inflation expected to reaccelerate**
 - Fed challenge: Inflation versus recession
 - Higher interest rates are unhelpful
- **Manufacturing flat, housing down**
- **Post-WWII geopolitical foundations undergoing seismic shocks**

Good News

- **NA economy started 2025 in good shape**
 - **Broad-based, strong tailwinds exiting 2024**
- **Big Beautiful Bill passes**
 - Short term boost, long term issues
- **Trade deals may be closer (?)**
- **Stock market up on the year (S&P500)**
- **US job creation still solid**
- **Inflation indicators getting close to Fed targets**
- **Iranian truce seems to be holding**
- **Reduced regulatory burden could be a big plus, if it happens**

Trump 2.0 Tariff Timeline

- January 25 – 25% tariffs threatened to Canada, Mexico to start February 1
- January 27 – President Trump announces new (unspecified) tariffs on computer chips, semiconductors
- February 1 – 10% tariff on Canada energy resources
- February 3 – Trump agrees to 30 day pause on tariffs to Mexico and Canada
- February 4 – New 10% tariffs on China go into effect
- February 6 – Termination of duty free de minimis treatment of China imports
- February 13 – Proposed steel & aluminum tariffs: steel effective 25%, aluminum to 25% from 10%
- February 25 – Trump instructs Dept of Commerce to consider copper tariffs
- February 27 – Proposed 25% tariff on EU imports and increased tariffs on China
- March 3 – Threatened lumber and agricultural tariffs
- March 4 – 25% tariffs on Canada & Mexico take effect (10% on Canada energy), China tariff 2x to 20%
- March 4 – China, Canada, and Mexico promise retaliatory tariffs
- March 5 – Trump grants one month exemption to US automaker supplies from Mexico & Canada
- March 6 – Trump delays tariffs on most goods from Canada and Mexico to April 2
- March 10 – China retaliates with 15% tariff on US farm products
- March 12 – Steel & aluminum tariffs/increases go into effect, EU responds with duties on US industrial & ag products
- March 13 – Trump threatens 200% tariff on Europe wine & spirits
- March 24 – Trump threatens 25% tariff on imports for countries sourcing Venezuelan oil
- March 26 – Trump announces 25% tariff on auto imports start April 3 for vehicles, in May for components/parts
- April 2 – Trump “Liberation Day” rolls out a 10% import tariff, with higher rates on target geographies, goods**
 - June 3 – Trump signs Sec 232 proclamation to double steel and aluminum tariffs from 25% to 50% effective June 4**
 - June 13 – Trump expands steel & aluminum tariffs to include steel content in 8 product lines – dishwashers, refrigerators, washers, dryers, freezers, stoves, ovens & disposals**
 - June 29 – Canada rescinds its Digital Services Tax after Trump threatens to break off tariff negotiations entirely**
 - July 6 – Truth Social text & comments suggest tariffs pushed to Aug 1, new 10% tariff on BRICS & friends, possible deadline extensions**
 - July 8 – Trump announces 50% tariff on copper, 200% on pharma, and 50% tariffs on Brazil**
 - July 10 – Trump announces 35% tariff on certain (non-USMCA) Canada goods effective Aug 1, letters sent to over 20 countries**
 - July 12 – Trump sends letter to EU, Mexico announcing 30% tariffs effective Aug 1**
 - July 23 – Trade deal announced between US and Japan, 15% rate on most imports including autos, in exchange for \$550 Bil investment package**
 - July 28 – Trade deal announced between US and European Union, 15% rate for most imports and new EU investment & energy commitments**
 - July 31 – Trump signs executive order implementing far-reaching tariffs effective Aug 7**
 - August 6 – Trump announces a roughly 100% tariff on semiconductor imports, but with exceptions for those building US mfg facilities; Brazil faces 50% ad valorem duty**
 - August 11 – Trump extends China tariff deadline 90 days (November 10)**
 - August 18 – 400+ new products become subject to Section 232 steel & aluminum tariffs**
 - August 29 – Suspension of de minimis exemption that enabled parcels under \$800 to enter US without duties**
- April 3 – China announces 34% retaliatory tariff on US goods starting April 10
- April 7 – Trump threatens additional 50% tariff (total 104%) on China imports, to go into effect April 9 12:01AM ET
- April 9 AM – China announces 84% tariff on imports of US goods to go into effect April 10
- April 9 AM – EU votes to impose 25% tariffs on US steel, aluminum and a broad array (yachts, ice cream...) in its first set of retaliatory tariffs
- April 9 PM – Trump announces 90 day pause for higher-tariff countries now rolled back to 10%, 125% tariff on China imports; sector tariffs unchanged
- April 9 PM – Europe pauses retaliatory tariffs to engage in talks
- April 10 – China responds with 125% tariff on US goods, settles there, plans no further response
- April 11 – Customs & Border Patrol notice issued that smartphones, computer monitors and other electronic parts from China exempt
- April 13 – Truth Social post from Trump and comment from Peter Navarro that China electronic tariffs are NOT exempted, will get separate treatment
- April 14 – Trump allows some exemptions for auto parts (still unclear and tentative)
- April 23 – Trump at WH news event says China tariffs “will come down substantially, but it won’t be zero.”
- April 29 – Trump softens impact of some automotive tariffs, offsets on other duties (i.e. steel, aluminum, Canada, Mexico)
- May 5 – Trump orders 100% tariff on foreign made movies
- May 8 – First trade deal announced between US and the United Kingdom
- May 12 – China US trade deal announced
- May 14 – Middle East deals announced, Saudi arms and Qatar up to 210 Boeing jets at \$96 Billion
- May 23 – Trump threatens 50% EU tariffs, 25% tariffs on iPhones sourced offshore
- May 25 – Trump delays EU tariff move to July 9

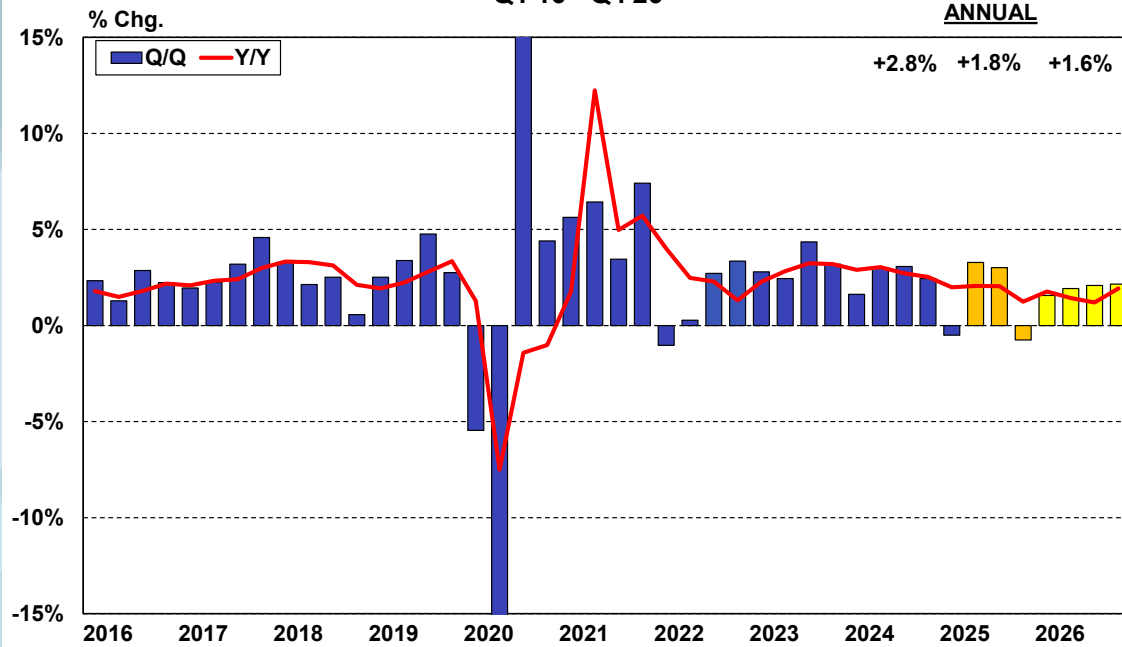
Sources: Tax Foundation, Reuters, WSJ, AP, CNN, CNBC, ABC, Politico, NPR, other media

GDP & Freight at Odds in Light of Tariffs

Real Gross Domestic Product

Q/Q at SAAR

Q1'16 - Q4'26



Source: ACT Research Co. © 2025

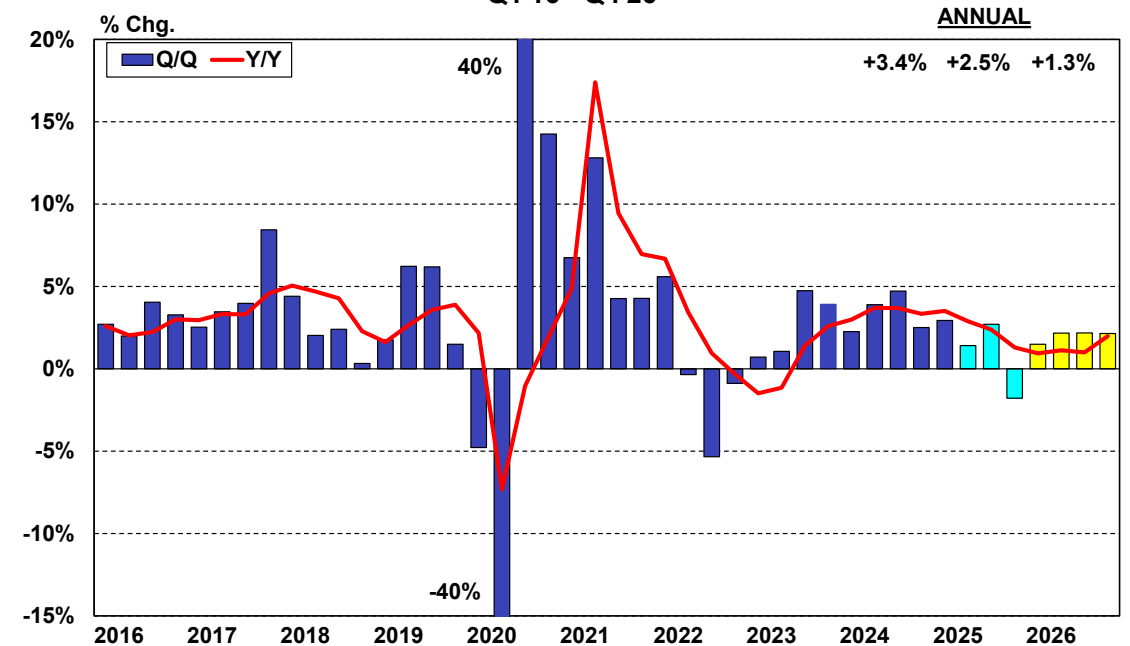
Q2'25 = 3.3%

2024 = \$23.305
2025 = \$23.733
2026 = \$24.109

ACT U.S. Freight Composite

Q/Q at SAAR, Y/Y

Q1'16 - Q4'26



Source: ACT Research Co. © 2025

Q2'25 = 1.4%

2025 Q2 Gross Domestic Product

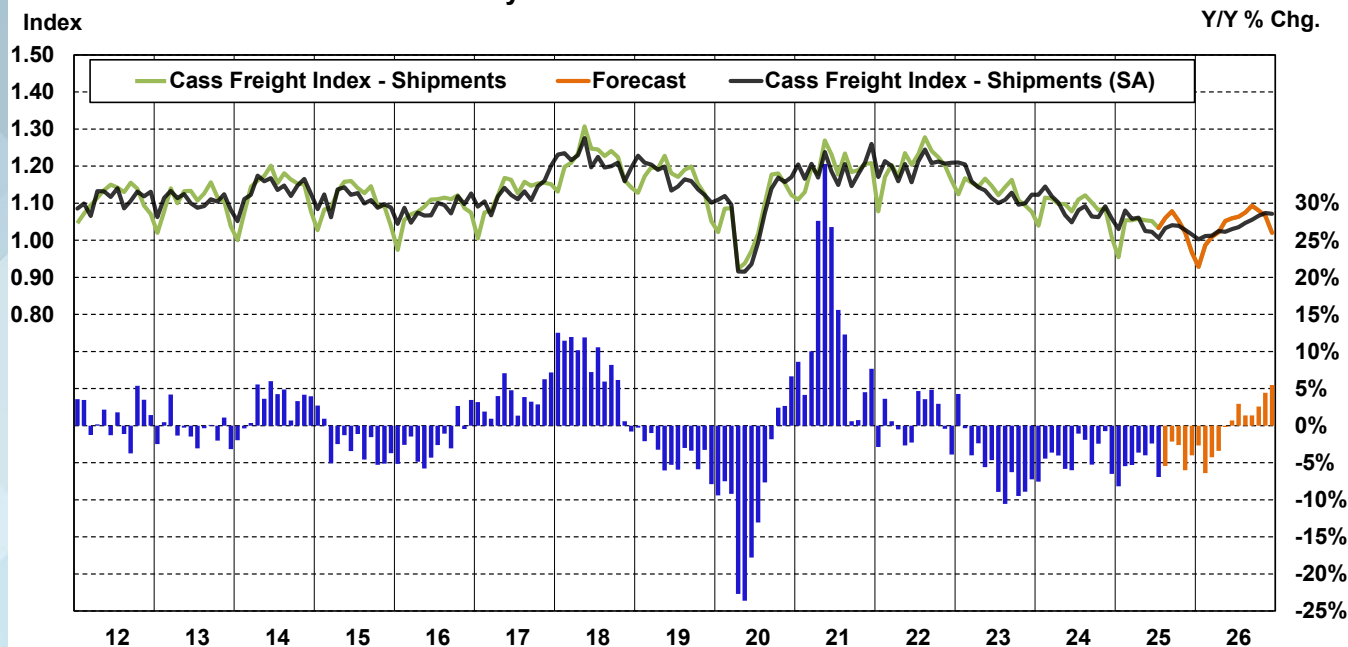
(Bureau of Economic Analysis)



Private Fleets Increase Share

Cass Freight Index® - Shipments

January 2012 - December 2026 Forecast



Source: Cass Information Systems, Inc., ACT Research Co. © 2025

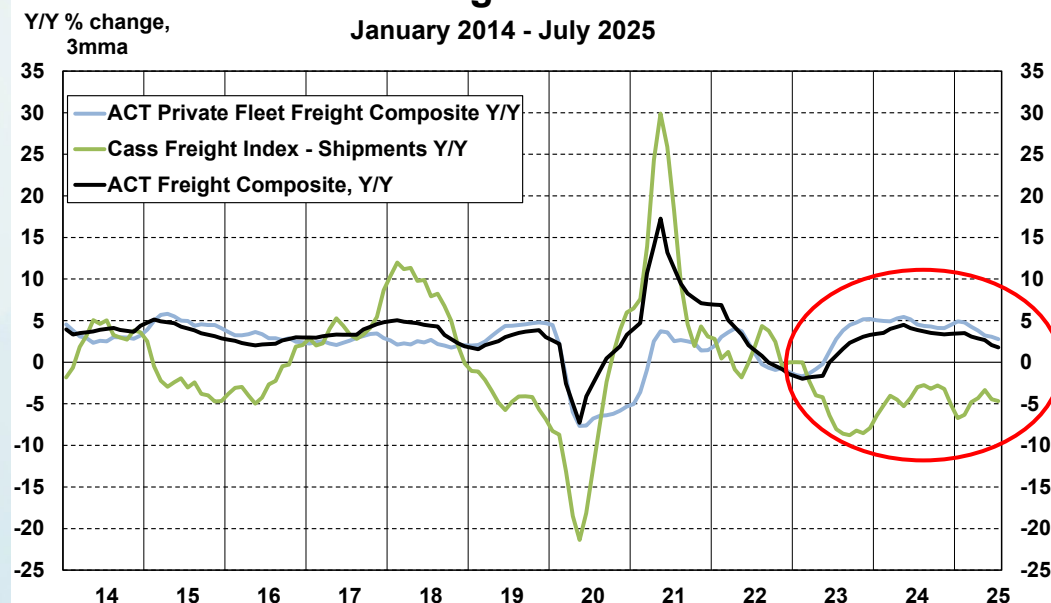
Private fleet growth cutting into for-hire

For-hire freight should pick up as private capacity additions slow

2027 emissions planning likely results in soft for-hire cycle

US Trucking Market Mix Shifts

January 2014 - July 2025

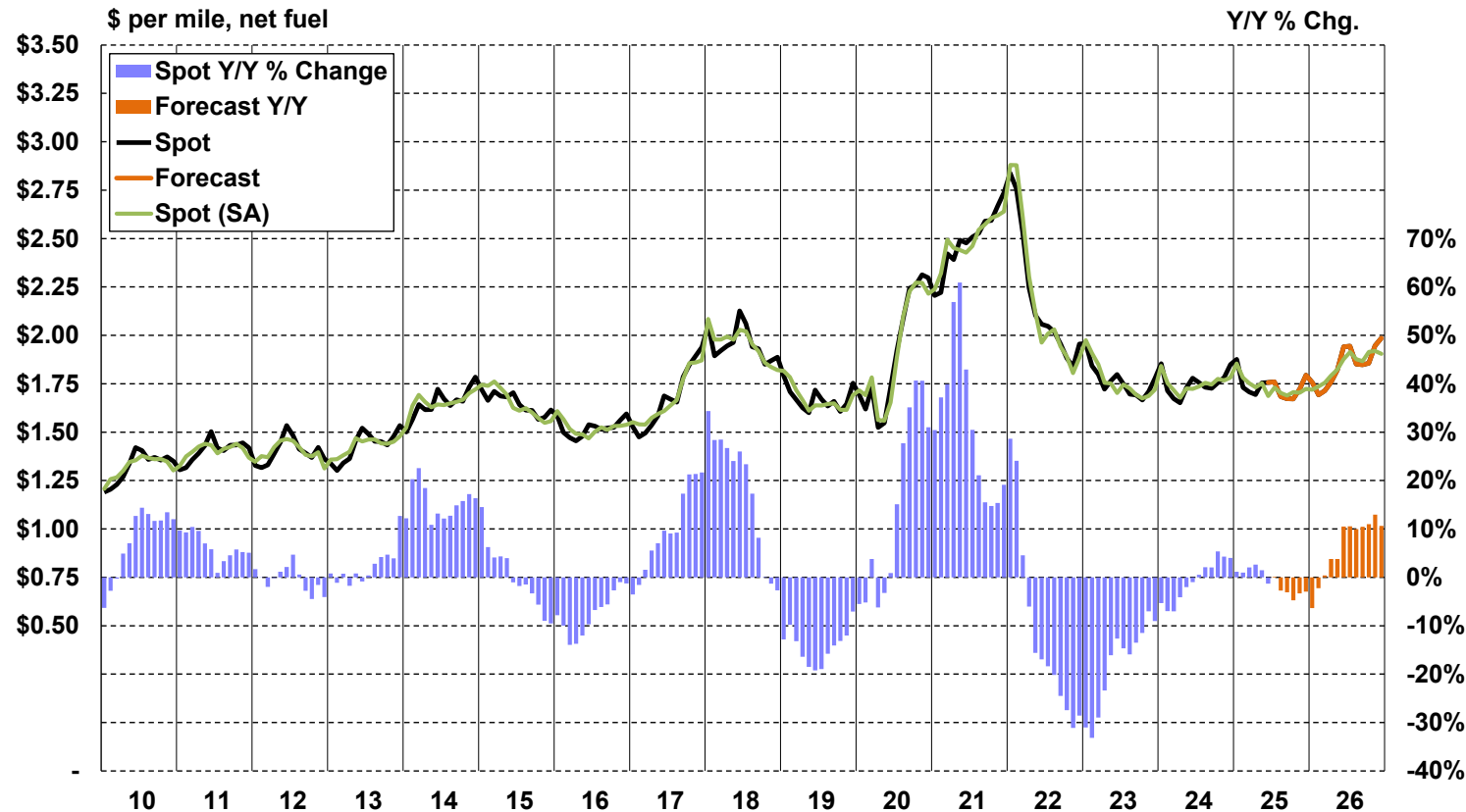


Note: ACT Private Fleet Freight Index inferred from GDP-based ACT Freight Composite and the Cass Freight Index

Spot Freight Rate Forecast

DAT Trendlines Spot Rates: US Truckload Aggregate

January 2010 - December 2026 Forecast



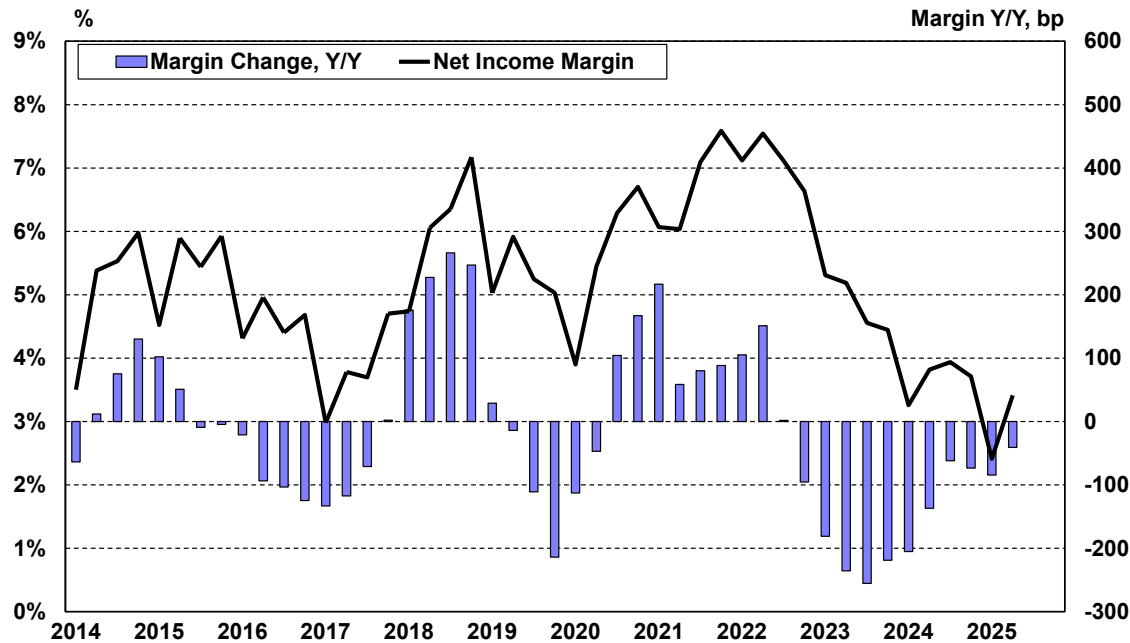
Source: DAT Freight & Analytics, ACT Research Co. © 2025 Note: Truckload Aggregate combines dry van, reefer and flatbed rates.

How will private
fleets react as
freight rates
increase?

When Truckers Make Money...

TL Carrier Database: Net Income Margin

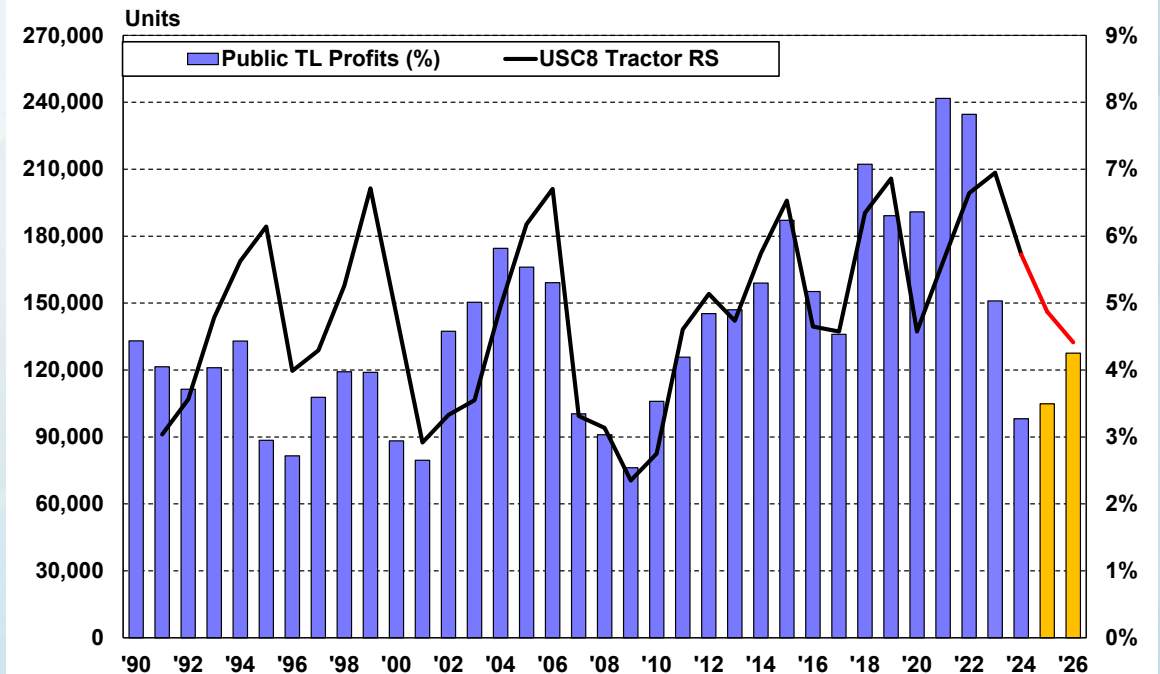
Q1'14 - Q2'25



Source: ACT Research Co. © 2025

U.S. Class 8 Tractor RS & Carrier Profits

1990 - 2026



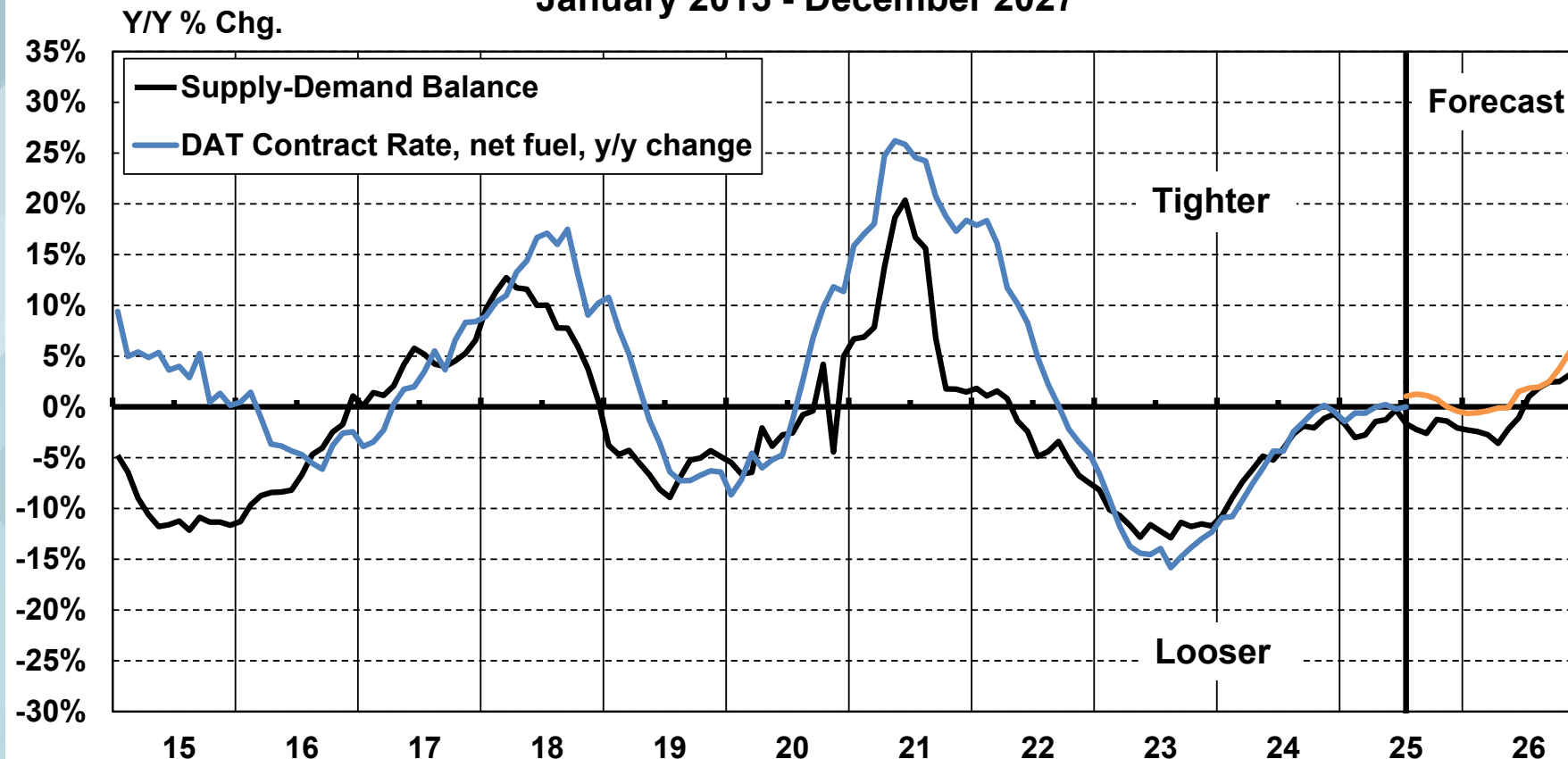
Source: ACT Research Co. © 2025

Ability Lagging Willingness

Class 8 Supply-Demand Balance

ACT Truckload Rate Gauge

January 2015 - December 2027



Note: Supply combines tractor and driver capacity. Demand combines shipments from the Cass Freight Index and the ACT Freight Composite.

Source: ACT Research Co. © 2025

What Drives Vocational Demand?

Short Answer = Everything!

Operational

- Replacement
 - 75% of demand in any given period
- Business Profitability
- Exogenous Variables/Regulation
- Fleet Demographics
- Resale Value

Economic Activity

- Consumer confidence
- PMI (ISM)
- Factory Orders
- Unemployment Rate
- New Jobs
- Retail Sales
- Housing
- Non-residential Construction
- Inflation (CPI)
- GDP
- Light auto and truck sales

When Trucks Grow Up



Pickup & Delivery



Construction



Refuse & Recycling



Towing & Recovery



Utility



Fire & Rescue



Bus



RV

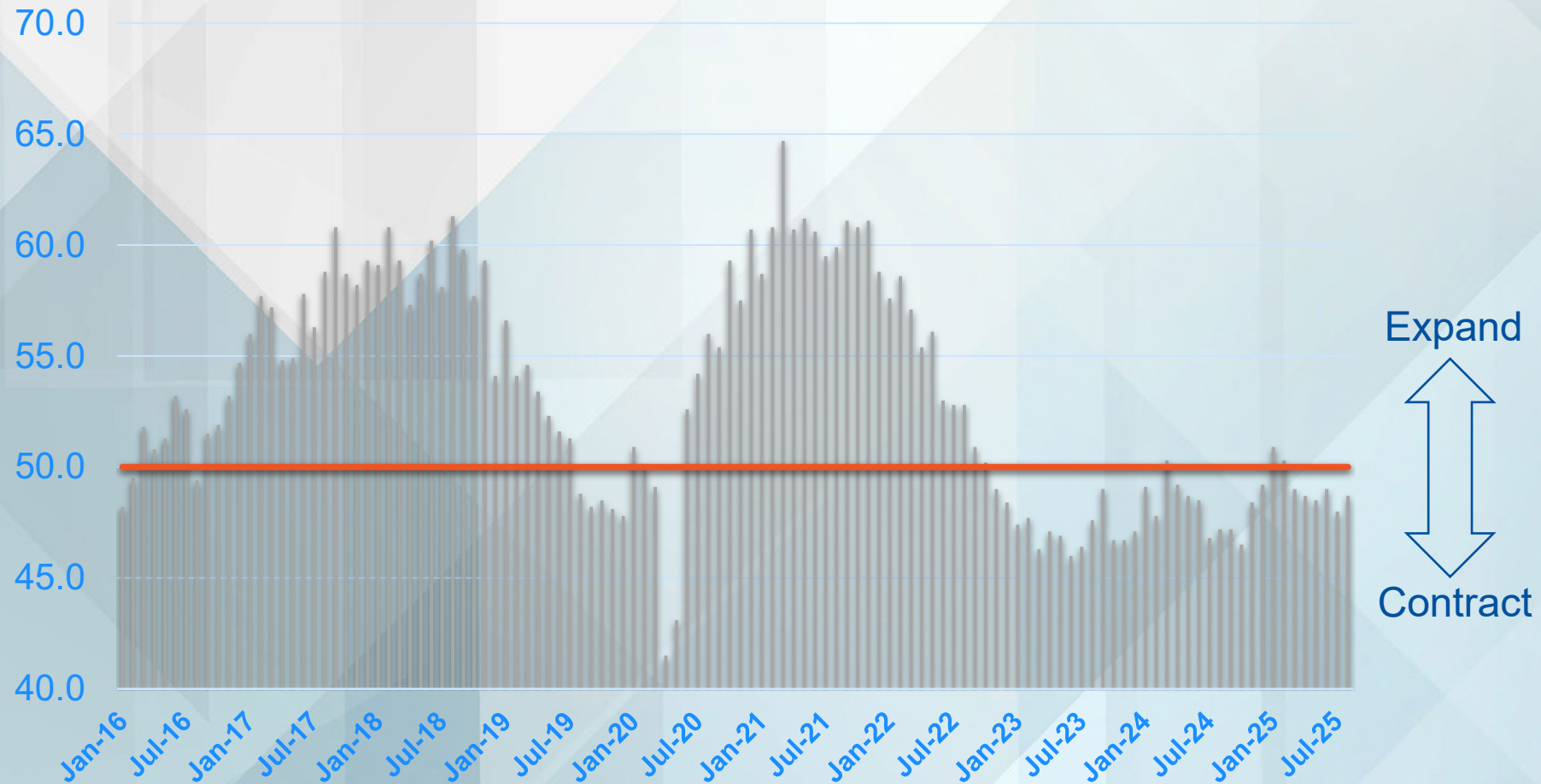
Consumer Confidence Index

(The Conference Board)



Purchasing Managers Index (PMI)

(Institute of Supply Management)



Jobs Creation & Unemployment Rate

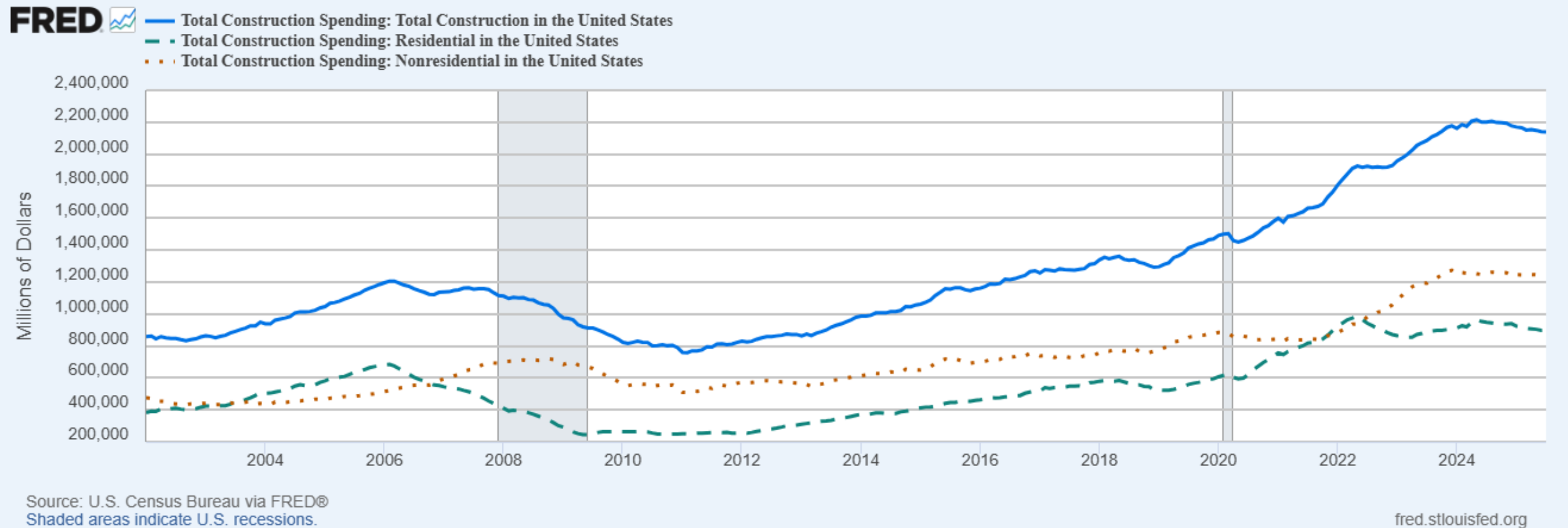
(Bureau of Labor Statistics)



Concrete - 2nd Most Used Substance



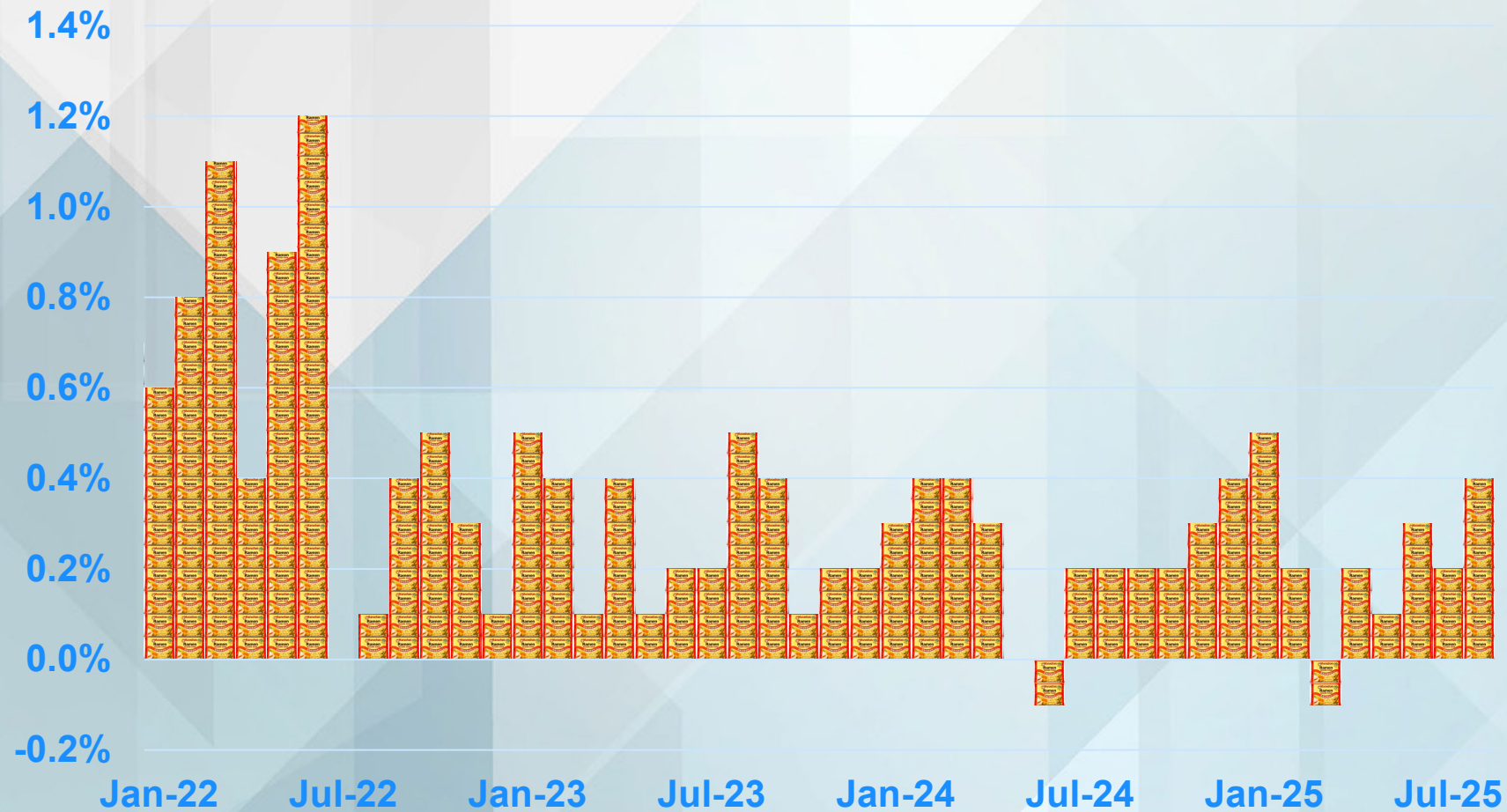
Slowing Construction Growth Still Accretive



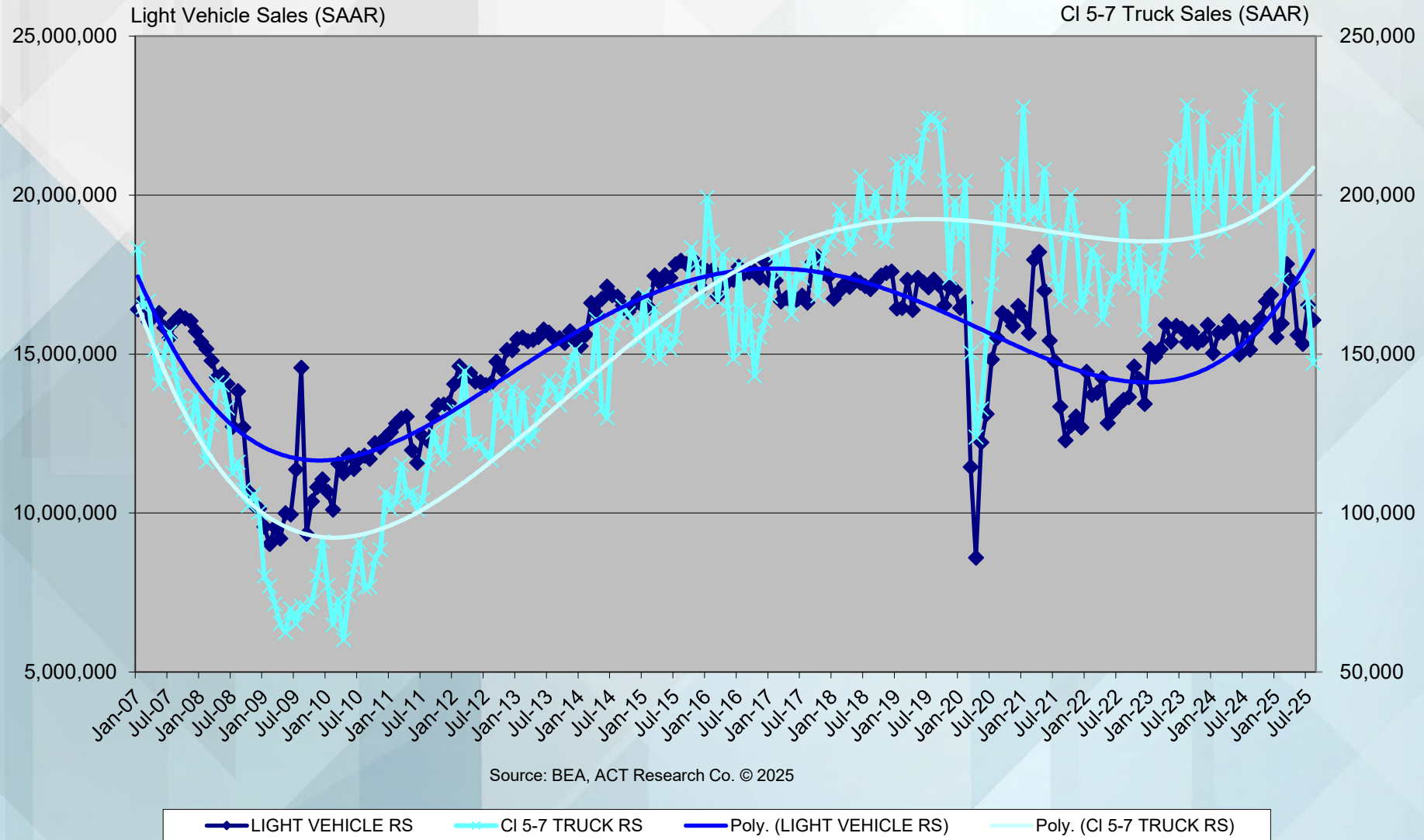
BFI:S - Average growth rate 0.9% (25-30)
RFI - Average growth rate 2.1% (25-30)

Consumer Price Index

(Bureau of Labor Statistics)



Light Vehicle Sales vs. CI 5-7 Truck Sales



Equipment Market Overview

- **CV Industry**

- Labor cuts announced across the industry
 - *When demand does rebound, equipment backlogs should get long fast*
- **Uncertainty re EPA NOx, Biden-era stimulus freeze**
- Tariffs driving MD and HD equipment **prices higher**

- **HD Class 8**

- Sales in excess of replacement lead to fleet growth
- Excess inventory puts downward pressure of production

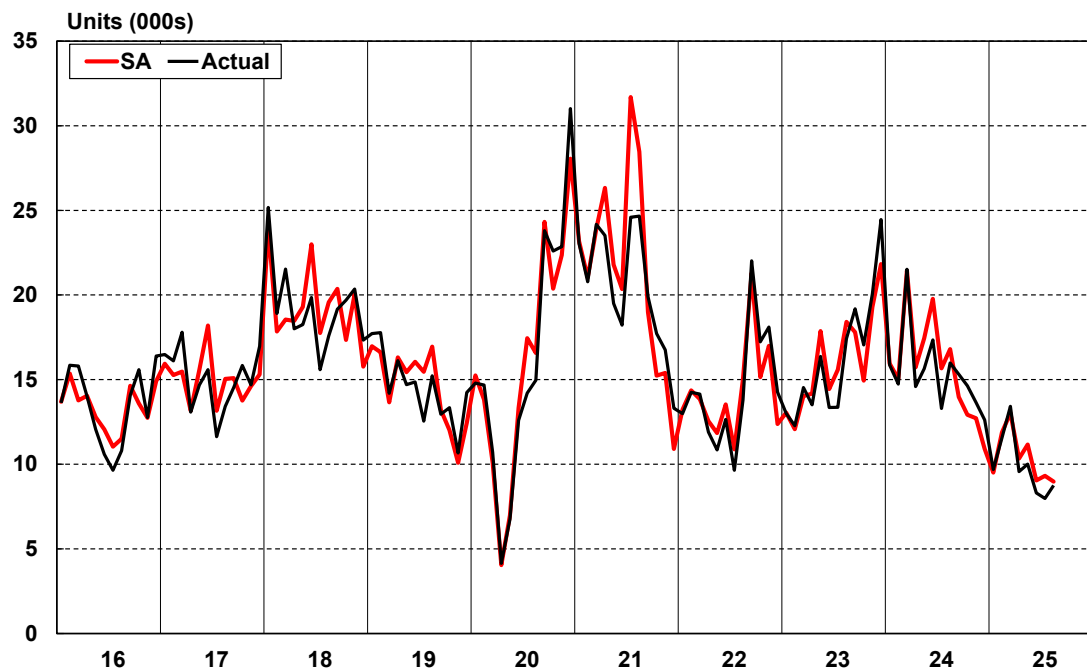
- **MD Market**

- Dealers & body-builders sitting on elevated Classes 5-7 inventories
- Inflationary policies keep interest rates higher for longer for smaller buyers

Orders Reflect Market Struggles

Classes 5-7 Truck: N.A. Net Orders

January 2016 - August 2025



Source: ACT Research Co. © 2025

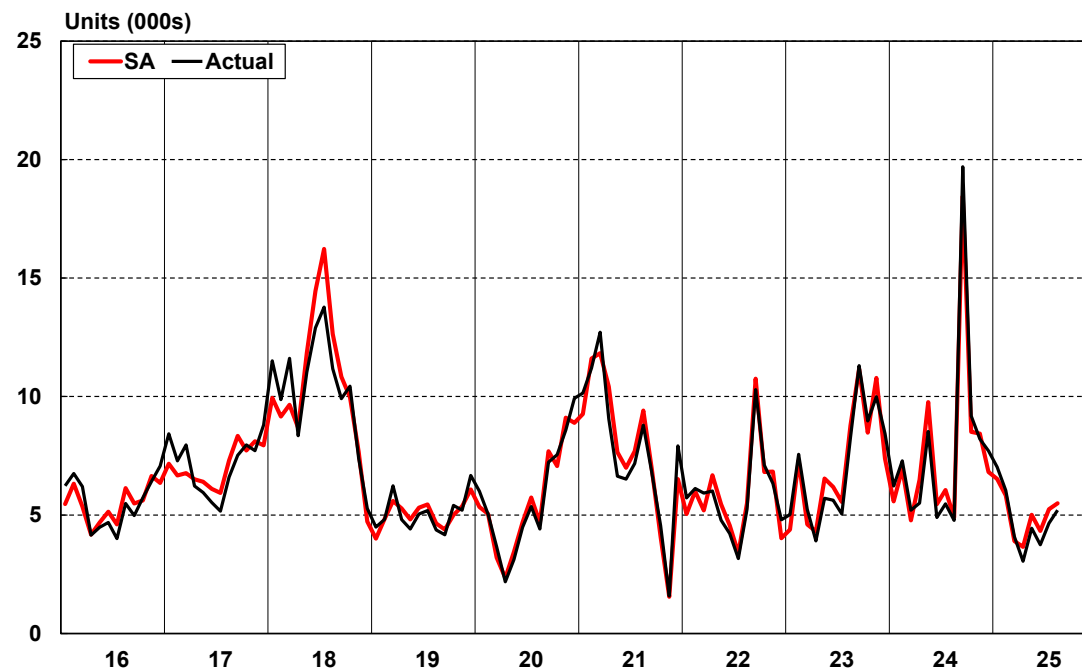
Demand Waning

M/M + 9.6%
Y/Y - 45%
YTD - 39%

Down 64% from 12/23

Class 8 Vocational Truck: N.A. Net Orders

January 2016 - August 2025



Source: ACT Research Co. © 2025

Demand Mixed

M/M + 12%
Y/Y + 9.2%
YTD - 20%

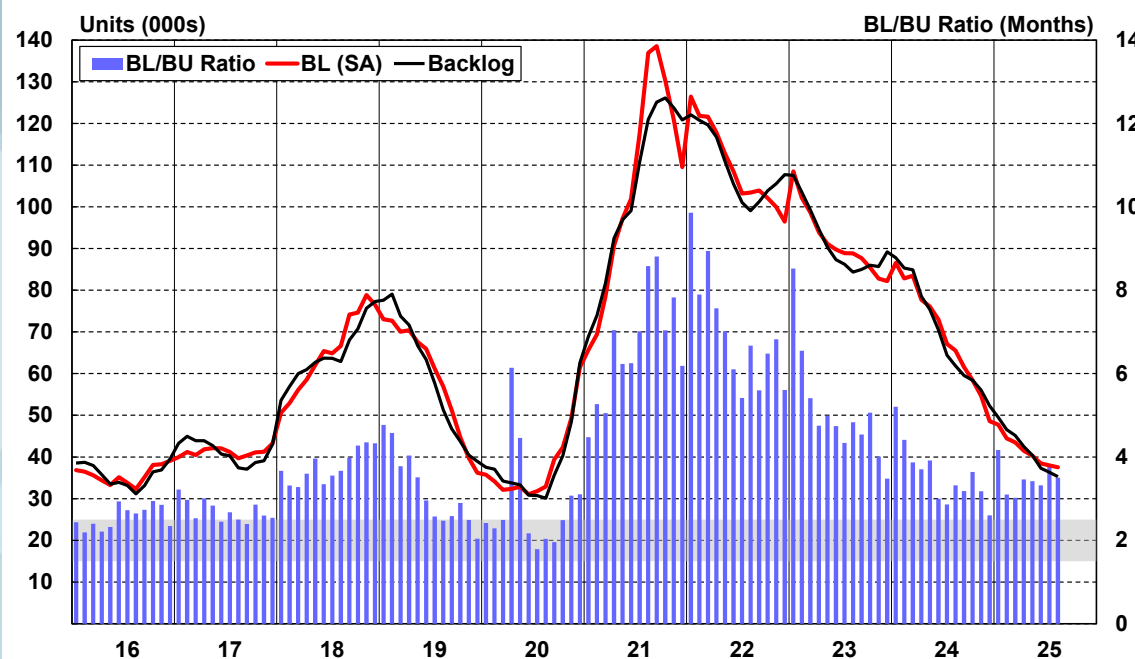
Down 74% from 9/24

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Backlogs Below Average

Classes 5-7 Truck: N.A. Backlog & BL/BU Ratio

January 2016 - August 2025

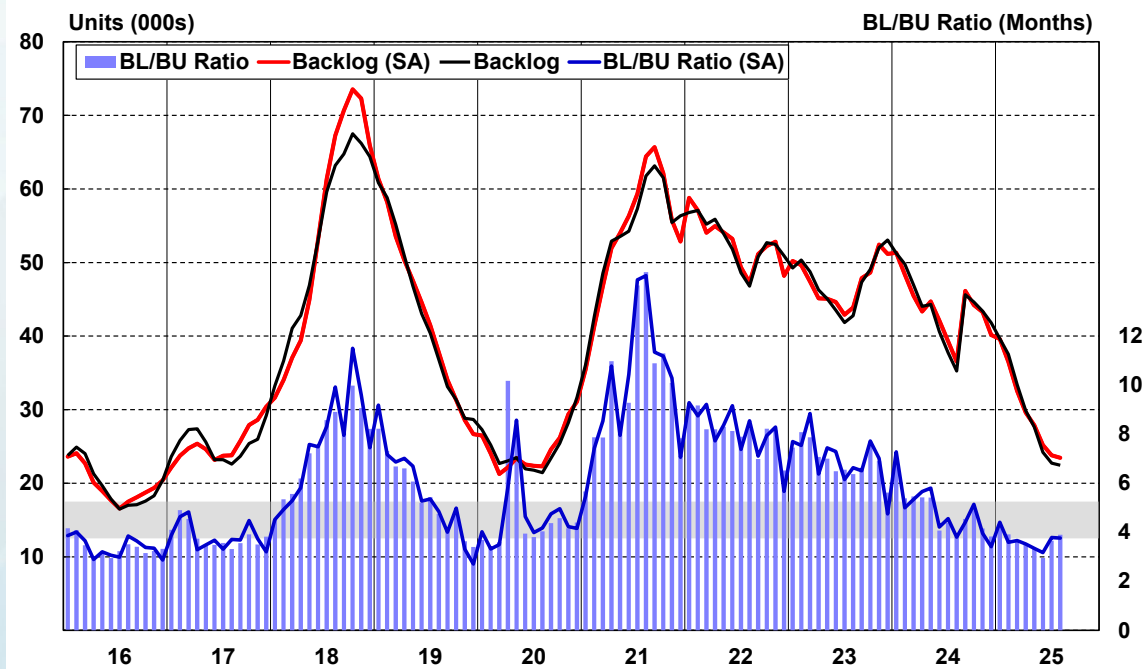


Source: ACT Research Co. © 2025

20% Below Average

Class 8 Vocational Trucks: N.A. Backlog & BL/BU Ratio

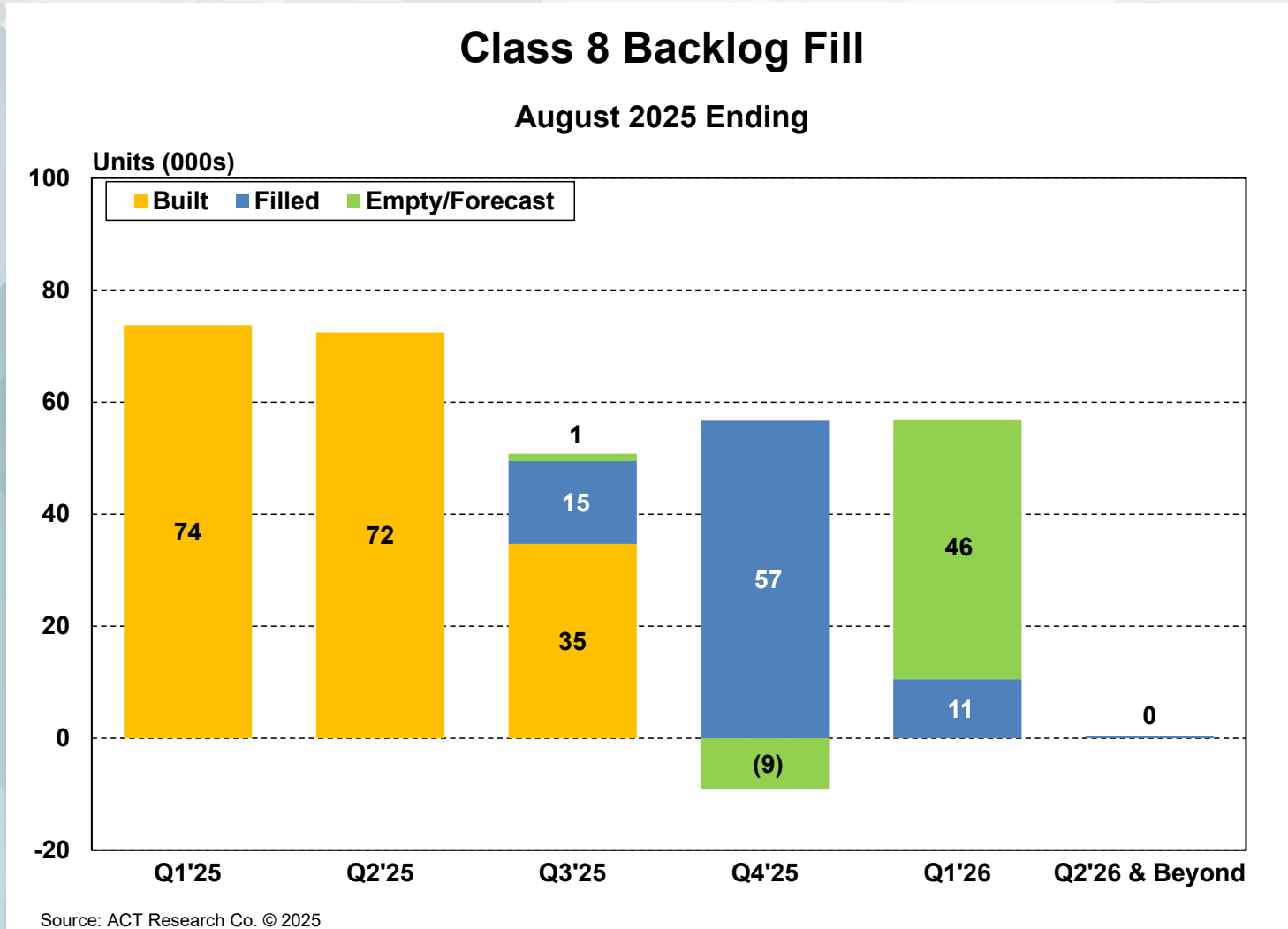
January 2016 - August 2025



Source: ACT Research Co. © 2025

25% Below Average

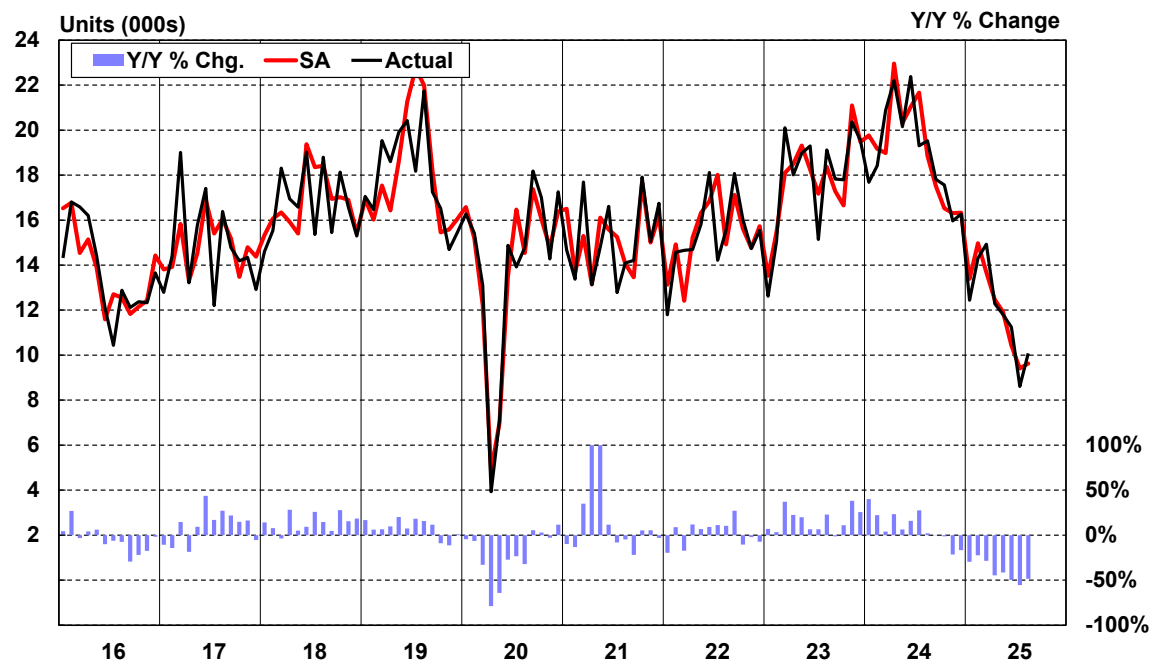
'26 Order Board Not Really Opened



Truck Build Crashing

Classes 5-7 Truck: N.A. Build

January 2016 - August 2025



Source: ACT Research Co. © 2025

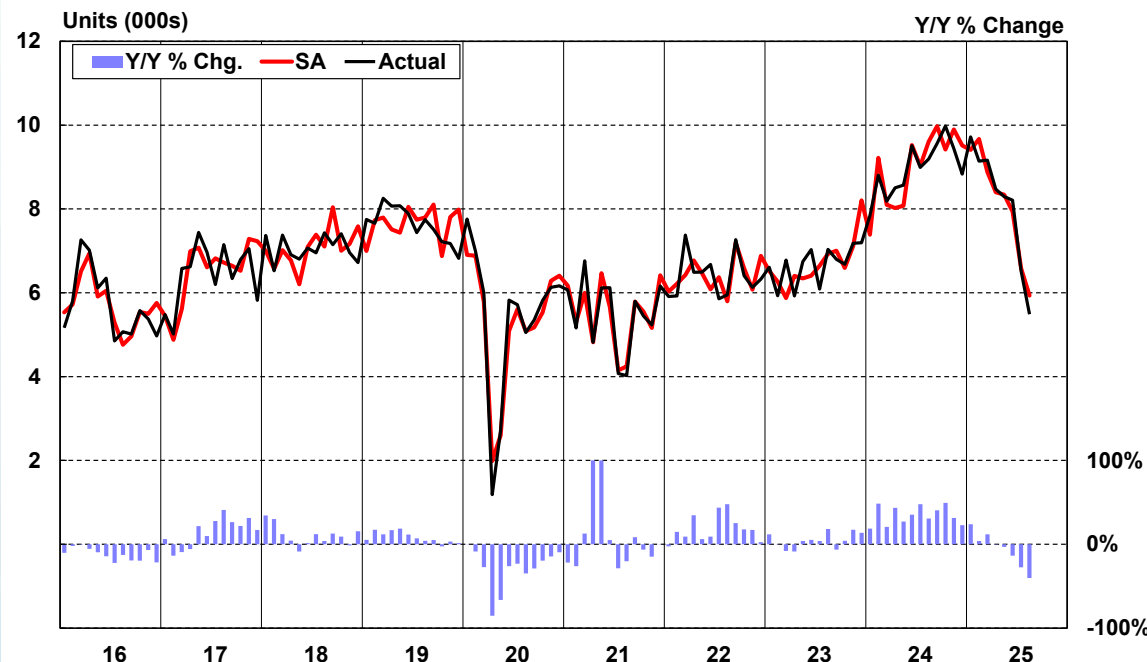
Rapid Slide

M/M + 17%
Y/Y - 50%
YTD - 40%

Down 48% from 7/24

Class 8 Vocational Truck: N.A. Build

January 2016 - August 2025



Source: ACT Research Co. © 2025

Free Falling

M/M - 16%
Y/Y - 40%
YTD - 6.6%

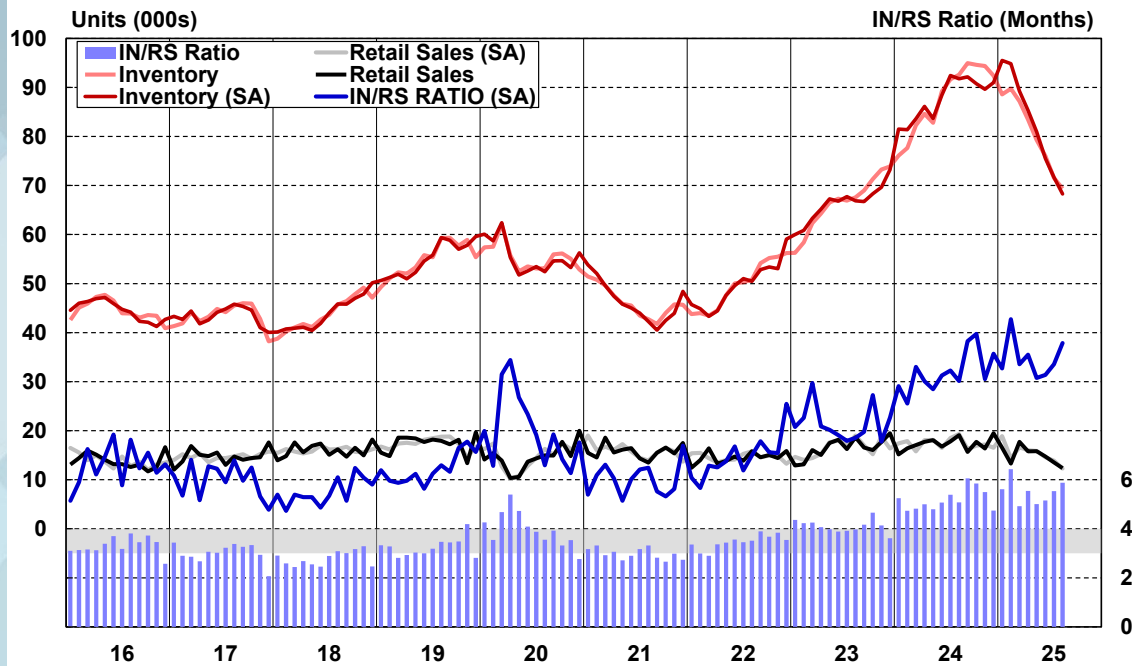
Down 45% from 10/24

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Truck Inventory Off-Peak, Still Too High

Classes 5-7 Truck: N.A. Inventory/Retail Sales Ratio

January 2016 - August 2025

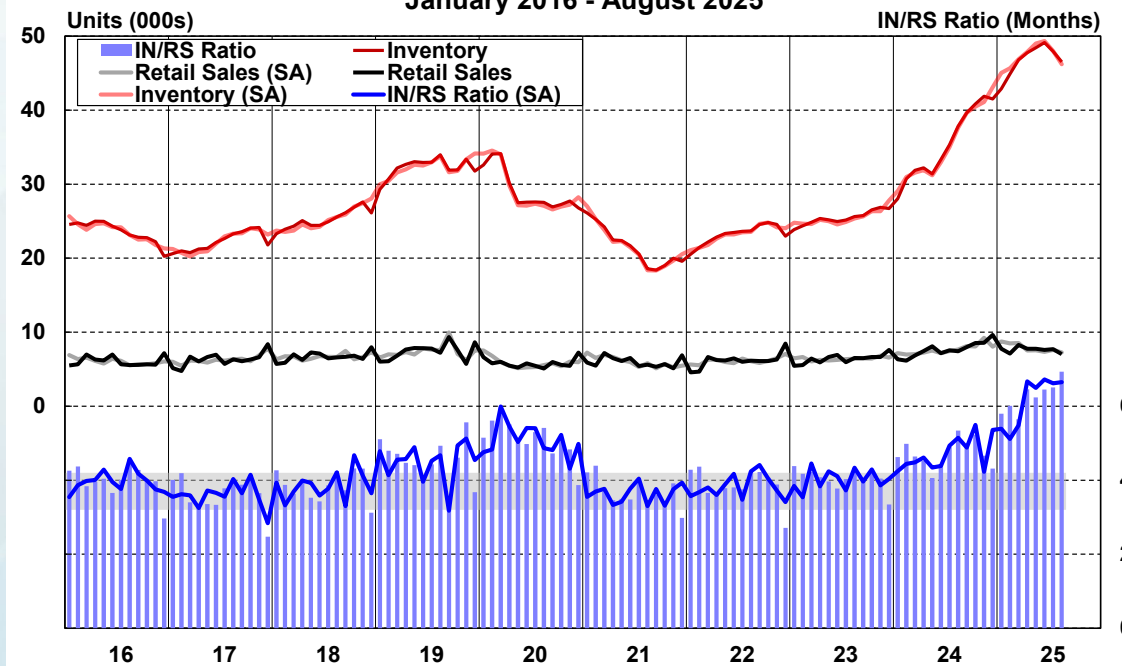


Source: ACT Research Co. © 2025

30,000 Too Many

Class 8 Vocational Truck N.A. Inventory/Retail Sales Ratio

January 2016 - August 2025



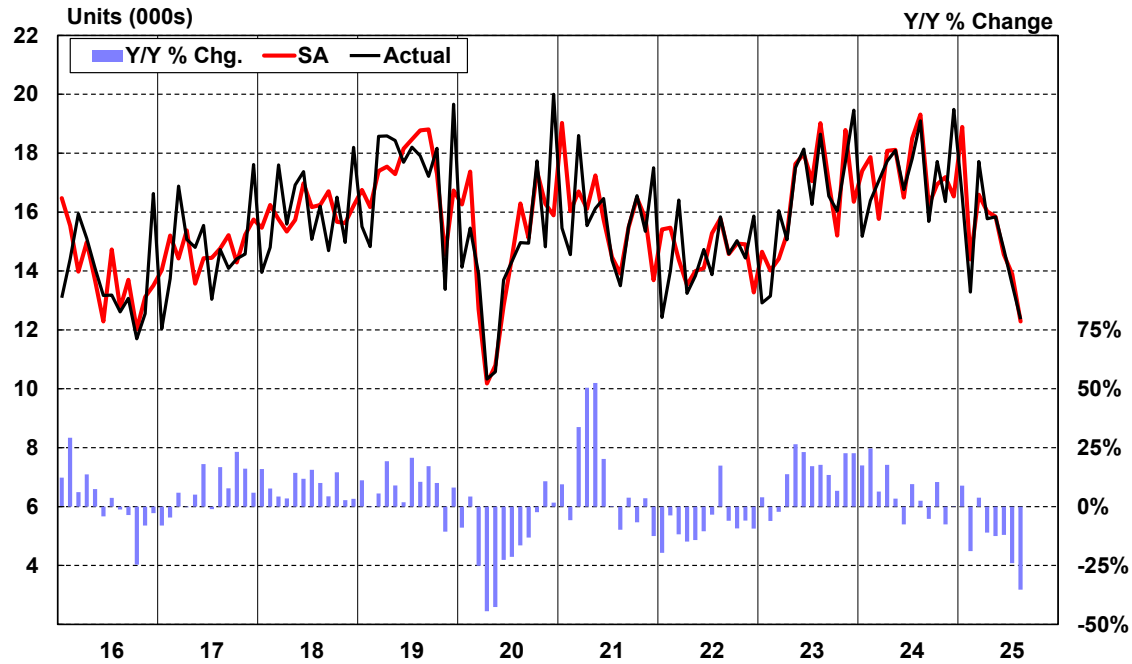
Source: ACT Research Co. © 2025

25,000 Excess

Truck Retail Sales Not As Ugly

Classes 5-7 Truck: N.A. Retail Sales

January 2016 - August 2025



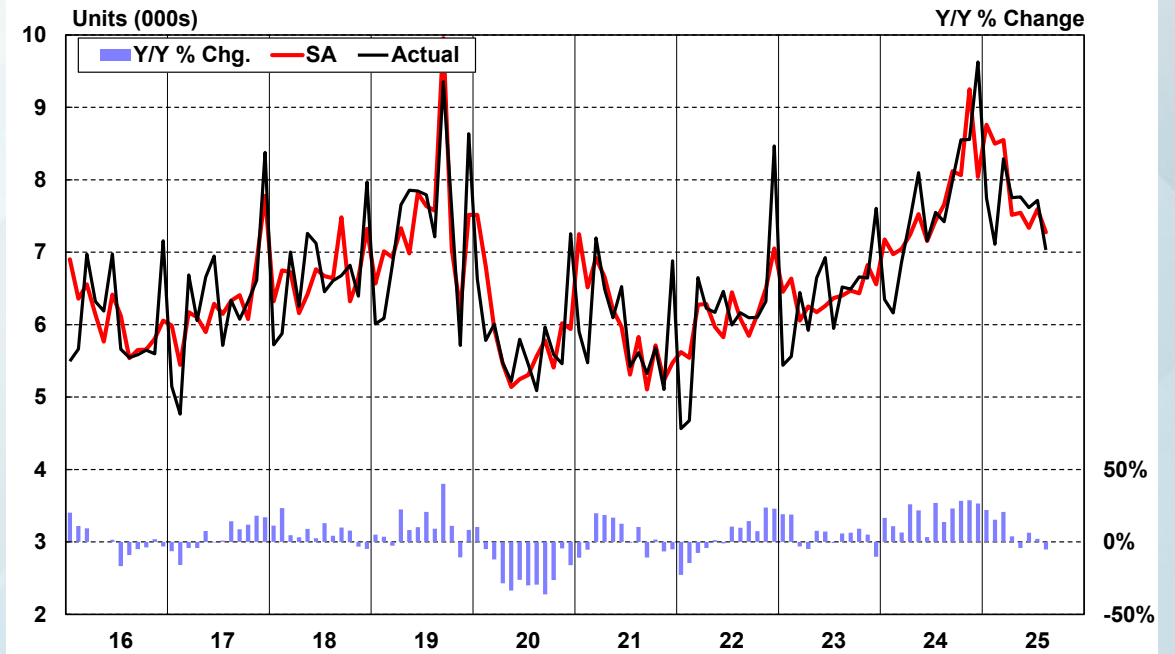
Soft and Lagging

M/M - 8.7%
Y/Y - 35%
YTD - 13%

Down 37% from 12/24

Class 8 Vocational Truck: N.A. Retail Sales

January 2016 - August 2025



Buyers "Happier"

M/M - 8.9%
Y/Y - 5.3%
YTD + 7.0%

Down 27% from 12/24

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Regulatory Purgatory

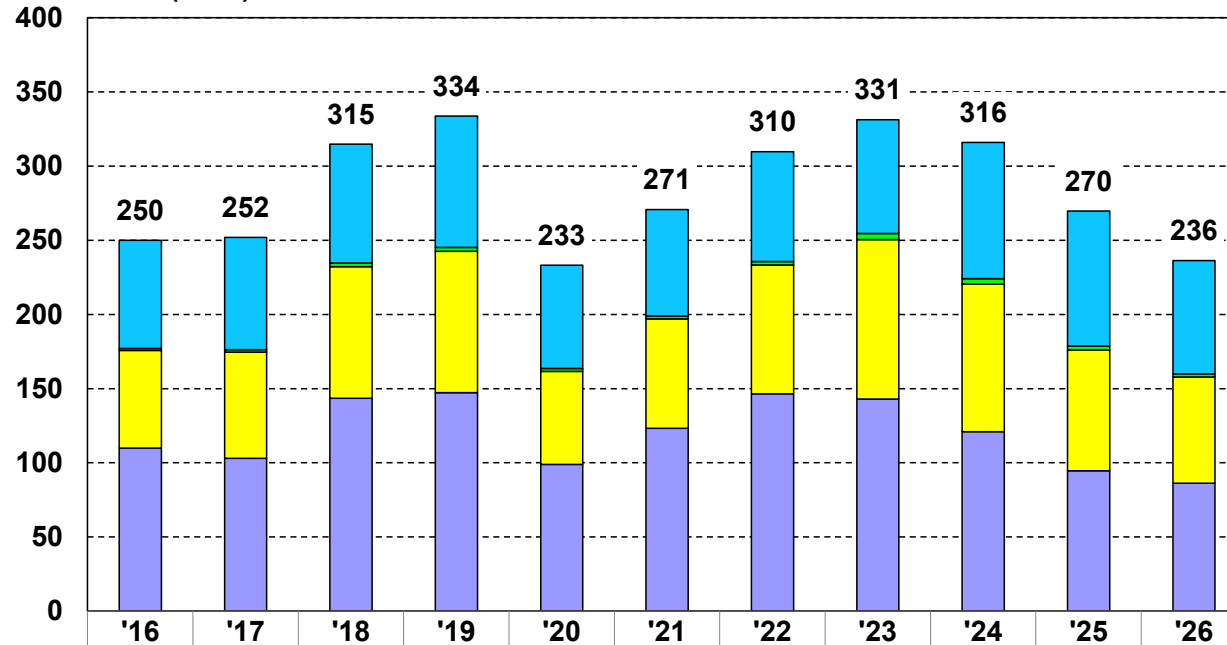
- **EPA'27 low-NOx Clean Truck rule under review**
 - 5+ years into a 7-year planning cycle
 - March 12: Zeldin EPA “reevaluating” low-NOx Clean Truck
 - EPA'27 low-NOx prebuy, a key feature of the cycle, now in question
 - ***Makes fleet planning around the regulation impossible***
- **GHG-3 delay and rewrite expected**
 - Under legal threat post-*Chevron* repeal (pre-Trump)
 - July 29: Zeldin EPA proposed rescinding 2009 Endangerment Finding, the basis of GHG3 emissions rules
 - Revision/push-out probable

Class 8 Sales to Decline Until 2027*

N.A. Class 8 Retail Sales

2016 - 2026

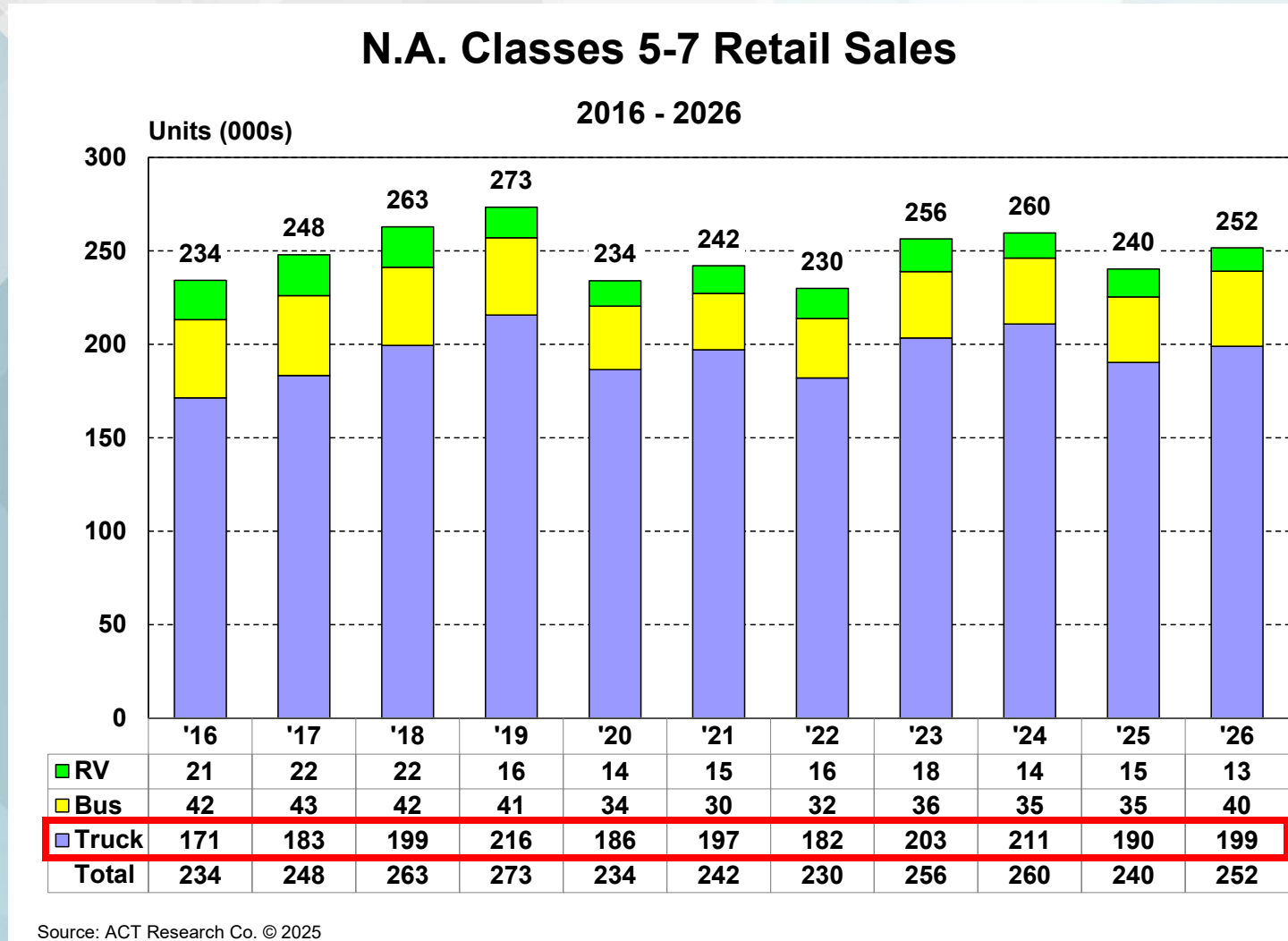
Units (000s)



Truck Daycab	'16	'17	'18	'19	'20	'21	'22	'23	'24	'25	'26
Truck Sleeper	73	76	80	89	70	72	74	77	92	91	76
Tractor Daycab	1	2	2	3	2	2	2	4	4	3	2
Tractor Sleep	66	72	89	95	63	74	87	107	100	81	72
Total	110	103	144	147	99	123	146	143	121	95	86
	250	252	315	334	233	271	310	331	316	270	236

Source: ACT Research Co. © 2025

MD Truck Sales Trough in 2025



Summary: Self-Generated Headwinds

- **Recession risk low**
 - Uncertainty raises level of investment decision difficulty
- Tariff driven, **higher prices started in Q2**
 - ***Risk of even higher prices***
- **Uncertainty regarding EPA's 2027 Clean Truck regulation**
 - All, partial, none? Information vacuum not helpful
- For-hire fleet profits at generational lows: no queuing pressure
- **Industry layoffs beginning**
 - A freight economy recovery should trigger a strong demand response
 - When the cycle turns, the supply response lags as industry restaffs